

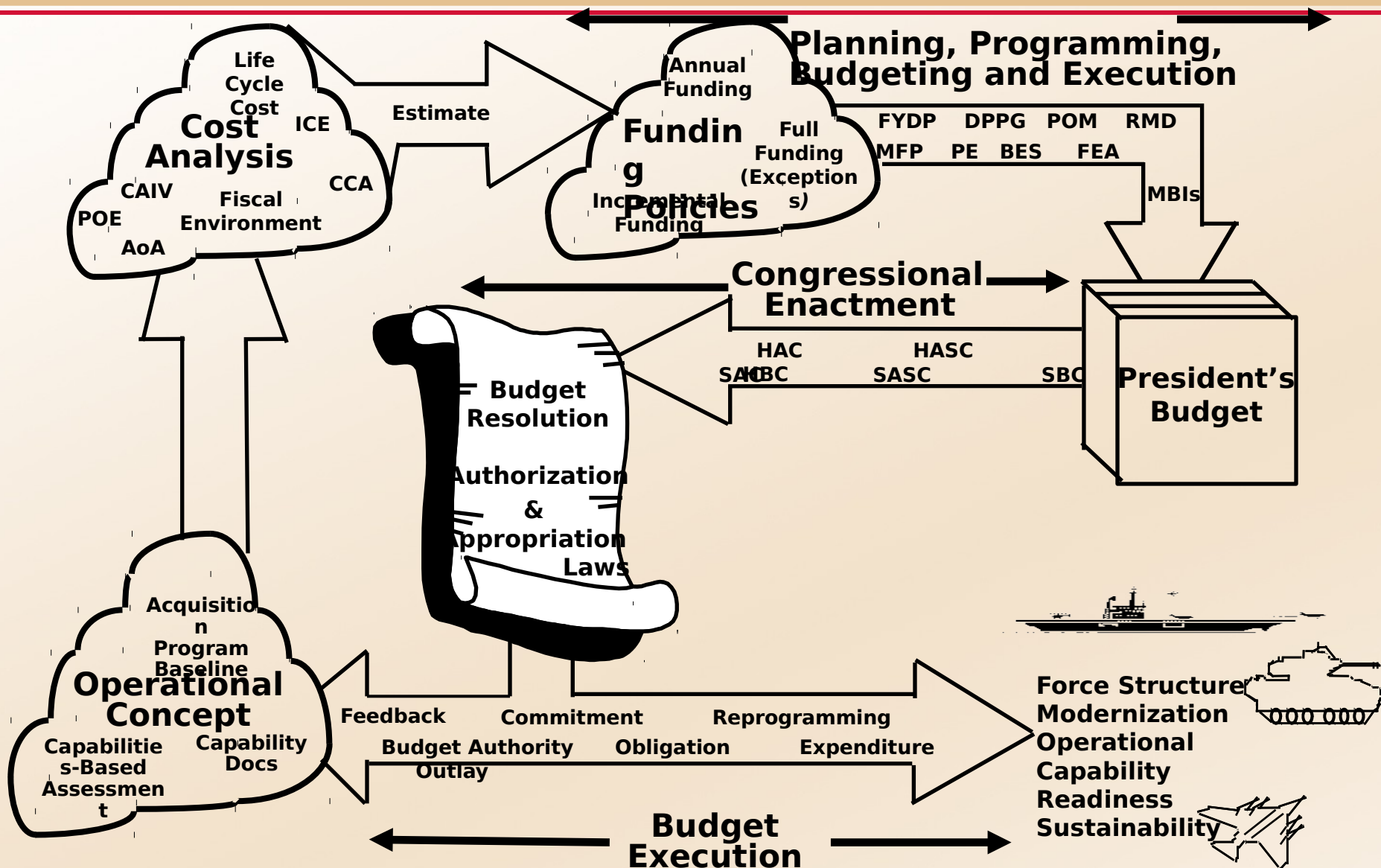


Planning, Programming, Budgeting, and Execution (PPBE) Process

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From Requirement to Capability



- **PPBE Overview**
 - Management Systems and Phases
 - Major Changes in FY 12-16 PPBE Cycle
 - Front End Assessments
 - DoD Efficiencies Initiative
- **Building Blocks**
 - FYDP, MFP, Program Elements
- **PPBE Process and Schedule**
- **Capability Portfolio Managers**
- **Membership of DAWG and SLRG**
- **Resource Allocation Process**





Three Major DoD Management Systems





Resource Management System

✧ **PPBE is the Primary Resource Management System for DoD:**

- **Articulates strategy**
- **Identifies size, structure and equipment for military forces**
- **Sets programming priorities**
- **Allocates resources**
- **Evaluates actual output against planned performance and adjusts resources as appropriate**



- **Planning (OSD Policy)**
 - Assess capabilities / review threat
 - Develop guidance
- **Programming (OSD CAPE)**
 - Turn guidance into achievable, affordable packages
 - Five-year program (Future Years Defense Program)
- **Budgeting (OSD Comptroller)**
 - Test for efficient funds execution
 - Scrub budget year
 - Prepare defensible budget
- **Execution Review (concurrent with program/budget review)**
 - Develop performance metrics
 - Assess actual output against planned performance
 - Adjust resources to achieve desired performance goals





4 Major Changes in the FY 12-16 PPBE Cycle

DepSecDef memo, dated 9 Apr 10

- **DPPG (was GDF and JPG)**
- **One budget year (was two on the “on years”)**
 - **Makes this an annual budget cycle vs a biennial budget**
 - **Every year is a “POM” year**
 - **No more PRs (Navy), APOMs (AF), or mini-POMs (Army)**
- **Focus on a 5-year period**
 - **Changed FY12-17 period to FY 12-16**
- **DOD conducting Front End Assessments**
 - **Eight issues with SecDef oversight via the “Large Group”**
 - **All other issues led by DepSecDef via the DAWG**



Front End Assessments

SecDef memo, dated 11 May 10

- **Strategic Comm and Info Operations**
- **Long Range Strike Family of Systems**
- **Airborne ISR**
- **Cyber Defense**
- **Global Posture**
- **Reset of Equipment from Operations**
- **Integrated Air & Missile Defense**
- **Tactical Aircraft**



DoD Savings and Efficiencies Initiative

as of 28 Jun 10

\$B	FY12	FY13	FY14	FY15	FY16	Total
Army, Navy, Air Force	2	3	5.38	10	28.3	
Def Agency/Field Activity	1	2	3	4	7	17
Combined Goal	7	11	18.9	28	37	101.9



OSD (C) Fact Sheet

Savings and Efficiencies Initiative

- **Goal: Create more agile, flatter, and efficient organization**
- **Military departments can keep their savings and apply to critical areas such as**
 - **Personnel in units**
 - **Force structure**
 - **Readiness to fight**
 - **Investment in future capabilities**
- **Goals will be reviewed annually and may change**
- **Initiatives must be specific, actionable, and measurable**
 - **Percentage and across-the-board reductions are not acceptable**
- **No organization, including OSD, is excluded**
- **Must be in POM/BES FY12-16 submission to OSD due 30 Jul 10**



Better Buying Power

USD(AT&L) 14 Sep 10 Memo

- **Target Affordability and Control Cost Growth**
 - Mandate affordability as a requirement
 - Drive productivity growth through Will Cost/Should Cost management
 - Eliminate redundancy within warfighter portfolios
 - Make production rates economical and hold them stable
 - Set shorter program timelines and manage to them
- **Incentivize Productivity and Innovation in Industry**
 - Reward contractors for successful supply chain and indirect expense management
 - Increase use of FPIF, where appropriate
 - Use 50/50 share and 120% ceiling as point of departure
 - Adjust progress payments to incentivize performance
 - Extend the Navy's preferred supplier program to a DoD-wide pilot
 - Reinvigorate industry's IRAD and protect the defense technology base
- **Promote Real Competition**
 - Present a competitive strategy at each program milestone
 - Remove obstacles to competition
 - Require open systems architecture and set rules for acquisition of technical data rights
 - Increase dynamic small business role in defense marketplace competition



Better Buying Power (cont.)

USD(AT&L) 14 Sep 10 Memo

- **Improve Tradecraft in Services Acquisition**
 - Create a senior manager for acquisition of services in each component, following the Air Force's example
 - Adopt uniform taxonomy for different types of services
 - Address causes of poor tradecraft in service acquisition
 - Increase small business participation in providing services
- **Reduce Non-Predictive Processes and Bureaucracy**
 - Reduce number of OSD level reviews...
 - Eliminate low-value added statutory processes
 - Reduce by half, the volume and cost of internal and congressional reports
 - Reduce non-value-added overhead imposed on industry
 - Align DCMA and DCAA processes to ensure work is complimentary
 - Increase use of Forward Pricing Rate Recommendations to reduce admin costs



Future Years Defense Program (FYDP)

- **Computer database maintained by CAPE**
- **Contains approved force structure and resources for all Defense Programs**
- **Updated two times per annual PPBE cycle:**
 - **Program Objectives Memorandum/Budget Estimate Submission (POM/BES) - July**
 - **President's Budget (PB) - February**
- **Reflects PY, CY, **BY, + 4 Out-Years** +**

10

1

12

13

14

15

16

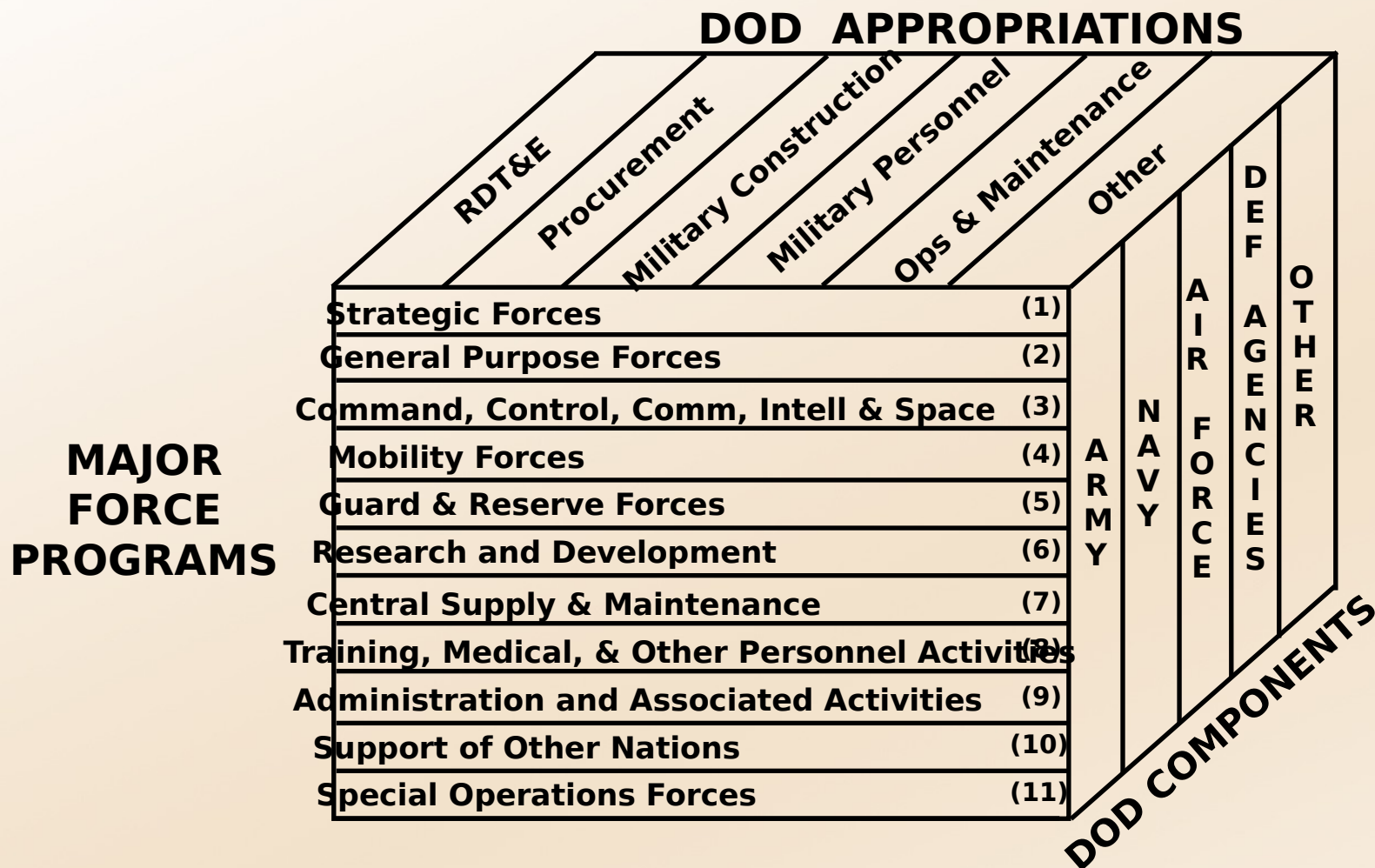
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3 additional years for force structure only

 - **FYDP 2012-2016 (updated CY 2010) would include:**
 - **FY 12-16 for force structure & resources**
 - **FY 17-19 for force structure only**



Future Years Defense Program (FYDP)





Program Elements

PROGRAM ELEMENT (PE): Smallest aggregation of resources normally controlled by OSD

- **PE NUMBER:** Used to track and identify resources; seven digit number followed by an alphabetic suffix

- **PROGRAM 1 (STRATEGIC FORCES)**

0101126F - B-1B Squadrons

0101215F - Peacekeeper Squadrons

0101228N - Trident

0101316A - Worldwide Joint Strategic
Comm

0102424F - SPACETRACK

- **PROGRAM 2 (GENERAL PURPOSE FORCES)**

0202112A - Airborne Divisions

0204224N - Frigates - Missile

0207138F - F-22 Squadrons

0207423F - Advanced Communications
Systems

A - ARMY
N - NAVY
M - MARINE
F - AF
D - OSD
C - MDA
E - DARPA
J - JCS
S - DLA
BB - SOCOM
DBD - DFAS

Ref: DoD 7045.7 -
H



PPBE - Planning Phase

~**Starts FEB/MAR (1st Year)**

APR (DPPG)/Sep (FEAs)
Finish 2nd Year

President

National Security Council

CIA/DIA/JCS/OSD

Planning Phase focus:

- **Threat vs Capabilities**
- **Update strategy**
- **Guidance for programming**

FEAs

Under direction of CAPE

FEAs to be a strategic view
used to inform program/budget reviews.

**OSD
Level**

NSS

NDS

QDR

DPPG

**To Concurrent
Program/Budget
Review**

**JCS
Level**

NMS

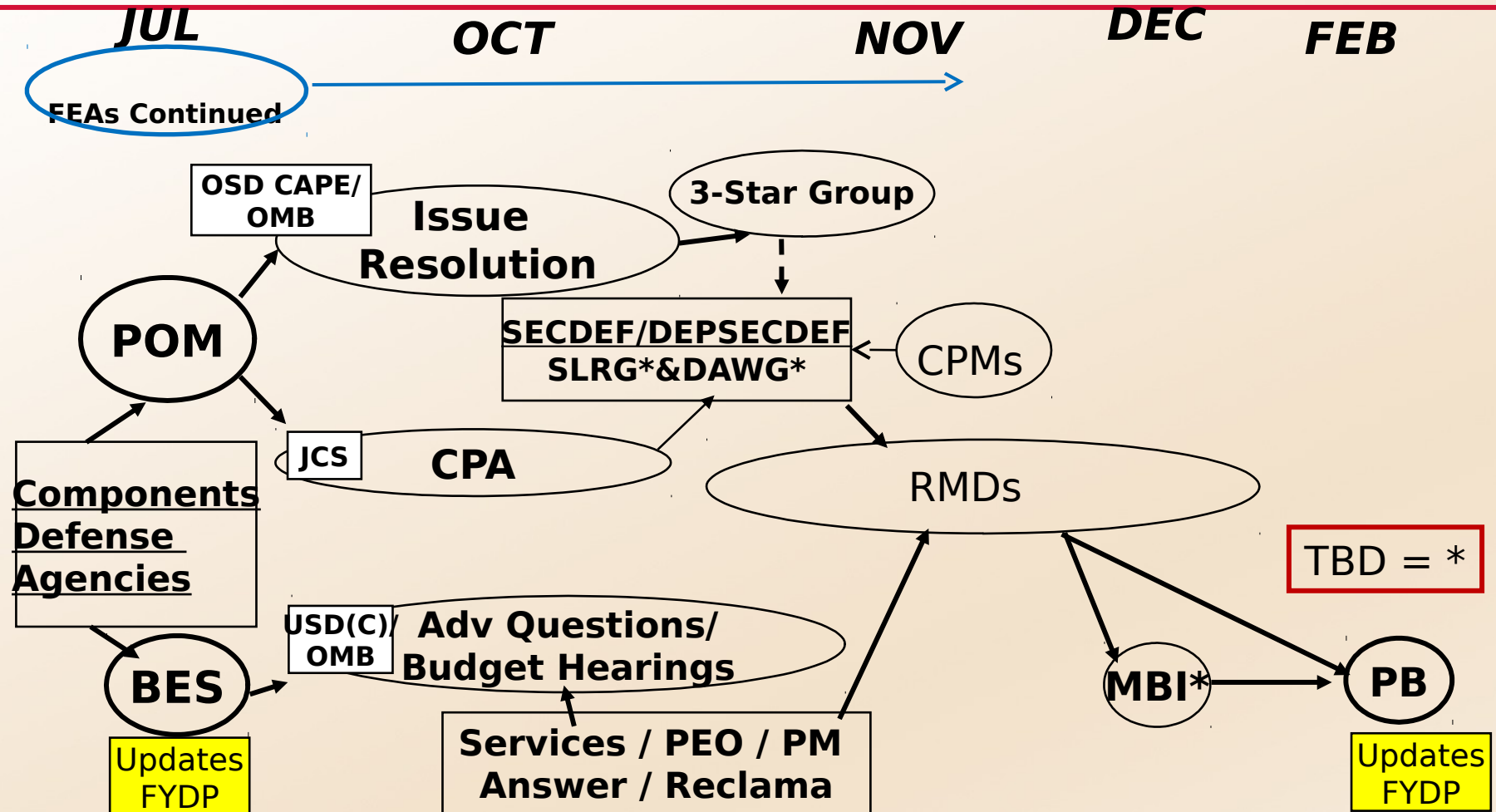
CPR

(JCS,
COCOMs,
SERVICES)

CIA - Central Intelligence Agency; **COCOM** - Combatant Command; **CPR** - Chairman's Program Recommendation
DIA - Defense Intelligence Agency; **DPPG** - Defense Planning & Programming Guidance; **JCS** - Joint Chiefs of Staff
NDS - National Defense Strategy; **NMS** - National Military Strategy; **NSS** - National Security Strategy
OSD - Office of the Secretary of Defense; **QDR** - Quadrennial Defense Review; **FEA** - Front End Assessments



Concurrent Program/Budget Review



BES - Budget Estimate Submission; CAPE - Cost Assessment & Prgm Evaluation
COCOM - Combatant Commander; CPA - Chairman's Pgm Assessment; CPM - Capability Portfolio Manager
DAWG - Deputy's Advisory Working Group; FEAs- Front End Assessments; FYDP - Future Years Defense Program
MBI - Major Budget Issues; OMB - Office of Management and Budget; PB - President's Budget
POM - Program Objectives Memo
RMD - Resource Management Decision; SLRG - Senior Leader Review Group



FY 12-16 Program/Budget Schedu

2 April 10 Fiscal Guidance Issued

30 April 10 Defense Planning and Programming Guidance (DPPG) Issued

30 July 10 Component POM/BES Submissions Due

2-13 Aug 10 Component POM Briefs to 3-Star/DAWG

30 Aug 10 Issue Nominations Due

3 Sep 10 Budget Justification Material Due to OSD/OMB

22 Nov 10 Program/Budget Review Complete

7 Feb 11 President's Budget Submitted to Congress



Capability Portfolio Managers (CPMs)

- **9 Portfolios are Based on Existing Joint Capability Area (JCA) Structure**
- **Civilian/Military Co-Leads Designated by DEPSECDEF**
- **Have No Independent Decision Making Authority**
- **Afforded Access to JROC, DAB & Other Established Component Forums**
- **Shall Establish or Identify Existing Portfolio-Level Governance for Each Portfolio**



Capability Portfolio Managers (CPMs) Leadership

Capability Portfolio and Tier 1 JCA	CPM Civilian Lead	CPM Military Lead	Senior Warfighting Forum (SWarF) Lead *	CPM Joint Staff OPR *	Functional Capability Boards *
Command and Control	ASD (NII)	JFCOM	JFCOM	J-3	JFCOM
Battlespace Awareness	USD (I)	STRATCOM	STRATCOM	J-2	J-2
Net Centric	ASD (NII)	STRATCOM	STRATCOM	J-6	J-6
Logistics	USD (AT&L)	TRANSCOM	TRANSCOM	J-4	J-4
Building Partnerships	USD (P)	Director, J-5	JFCOM	N/A	J-5
Protection	USD (AT&L)	Director, J-8	STRATCOM	N/A	J-8
Force Support	USD (P&R)	Director, J-8	JFCOM	N/A	J-8
Force Application	USD (AT&L) USD (P)	Joint Requirements Oversight Council (JROC)	JFCOM SOCOM STRATCOM	J-8	J-8
Corporate Management & Support	DCMO	Director, Joint Staff	N/A	N/A	N/A

* As designated by the Chairman of the Joint Chiefs of Staff (CJCS)



Deputy's Advisory Working Group

- Deputy Secretary of Defense (Chair)
- Vice Chairman Joint Chiefs of Staff (Vice Chair)
- Under Secretary of Defense (AT&L)
- Under Secretary of Defense (Policy) and Principal Deputy
- Under Secretary of Defense (Comptroller) /Chief Financial Officer or Principal Deputy
- Under Secretary of Defense (P&R) or Principal Deputy
- Under Secretary of Defense (Intelligence) or Principal Deputy
- Secretary or Under Secretary of the Army • Director, Joint Staff
- Secretary or Under Secretary of the Navy • Chief, National Guard Bureau or Deputy
- Secretary or Under Secretary of the Air Force • Director, SP&P-J5
- Chief or Vice Chief of Staff of the Army • Director, FS,R&A-J8
- Chief or Vice Chief of Naval Operations
- Chief or Vice Chief of Staff of the Air Force
- Commandant or Assistant Commandant of the Marine Corps
- Commander or Deputy Commander, SOCOM
- Deputy Chief Management Officer
- ASD (Legislative Affairs)
- ASD (Networks & Information Integration/Chief Information Officer
- ASD for Public Affairs
- General Counsel
- Director of Administration and Management
- Director or Principal Deputy Director, CAPE



Senior Leader Review Group

- Secretary of Defense
- Deputy Secretary of Defense
- Secretary or Under Secretary of the Army
- Secretary or Under Secretary of the Navy
- Secretary or Under Secretary of Air Force
- Chairman Joint Chiefs of Staff
- Vice Chairman Joint Chiefs of Staff
- Under Secretary of Defense (AT&L)*
- Under Secretary of Defense (Policy)*
- Under Secretary of Defense (Comptroller)
- /Chief Financial Officer*
- Under Secretary of Defense (Intelligence)*
- Under Secretary of Defense (P&R)*
- Commandant or Assistant Commandant of the Marine Corps
- Director of Administration and Management Evaluation
- Chief or Vice Chief of Staff of the Army
- Chief or Vice Chief of Naval Operations
- Chief of Staff or Vice Chief of the Air Force
 - General Counsel
 - ASD (Legislative Affairs)
 - ASD (Networks & Information Integration/Chief Information Officer
 - ASD for Public Affairs
 - Director, Cost Assessment and Program
- Director, Joint Staff
 - Principal Deputy
 - Deputy Chief Management Officer
- Chief, National Guard Bureau



Resource Allocation Process

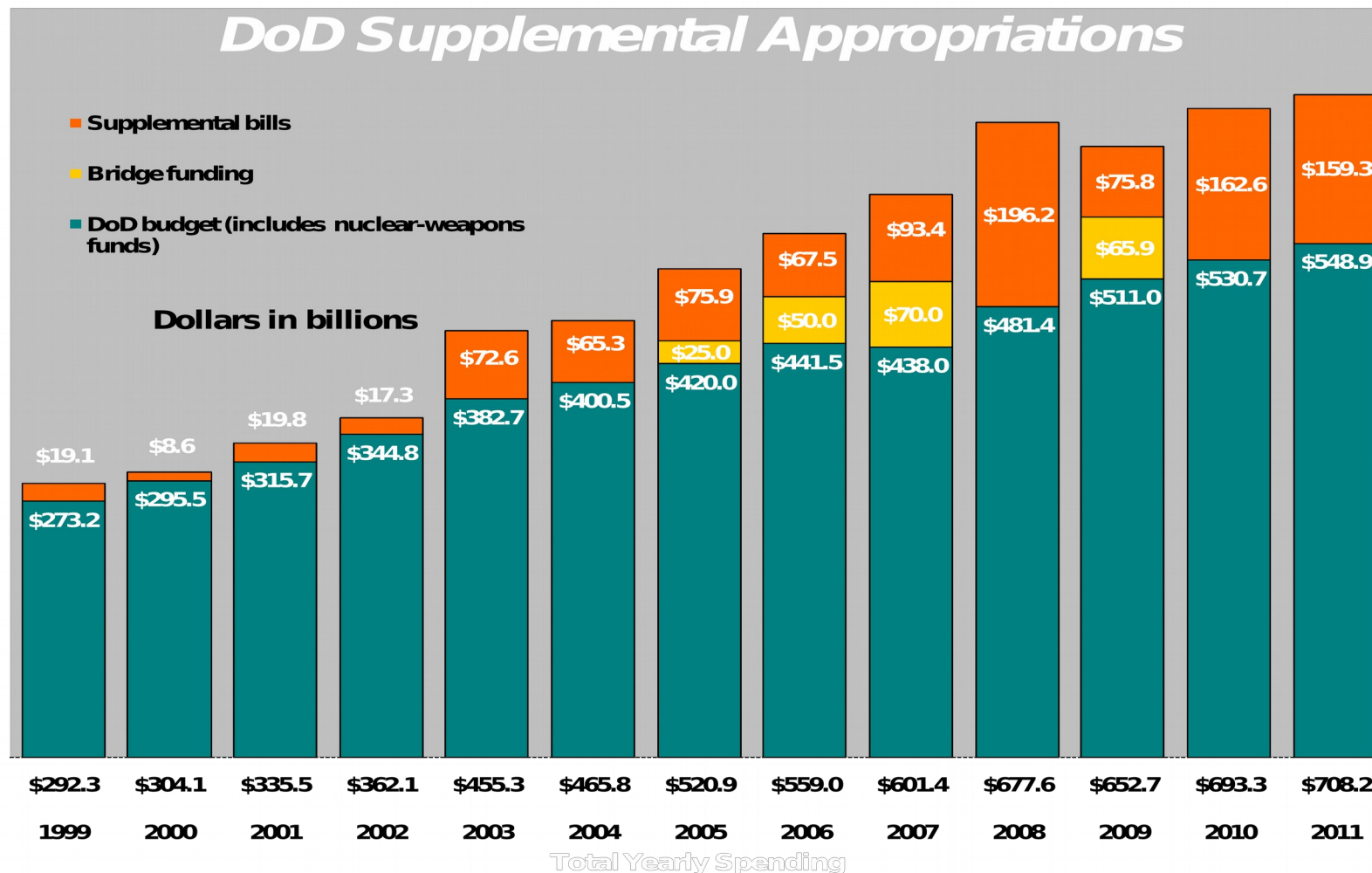
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FY10																																					
	Execution											2nd Yr											3rd Yr														
	FY 10 and prior																																				
FY11	/ Enactment											Execution											2nd Yr										3rd Yr				
	↑ PB FY 11												FY 11 and prior																								
FY12	Planning/ Program/Budgeting												/ Enactment											Execution										2nd			
	FY 12-16 DPPG												↑ PB FY 12												FY 12 and prior												
FY13	Planning												/ Program/Budgeting												/ Enactment										Exec		
	FY 13-17 DPPG												FY 13-17 POM FY 13 BES												↑ PB FY 13												FY13 & prior
FY14													Planning												/ Program/Budgeting												
													FY 14-18 DPPG												FY 14-18 POM FY 14 BES												

PB – President's Budget
BES – Budget Estimate Submission

POM – Program Objectives Memorandum
DPPG – Defense Planning & Programming Guidance



DoD Supplemental Appropriations





Most Probable Cost (MPC)

- **AKA Most Likely Cost**
- **50% chance of overrunning or underrunning on a normal curve**
- **The Fin Mgt Reg (DoD 7000.14R) says you should budget to MPC**
- **DAPA Report (2006) recommended 80% confidence level (CL)**
- **Air Force SAE (Mr. Van Buren) memo dated 17 Mar 10 says NLT mean (typically 55-65% CL) or expected value of cost estimate**
- **OSD CAIG using 50% CL**
- **WSARA 2009 Section 101**
 - **DCAPE must issue guidance on confidence levels for cost estimates for MDAP and MAIS programs**
 - **MDAP and MAIS programs must disclose confidence level**
 - **If less than 80%, must explain**



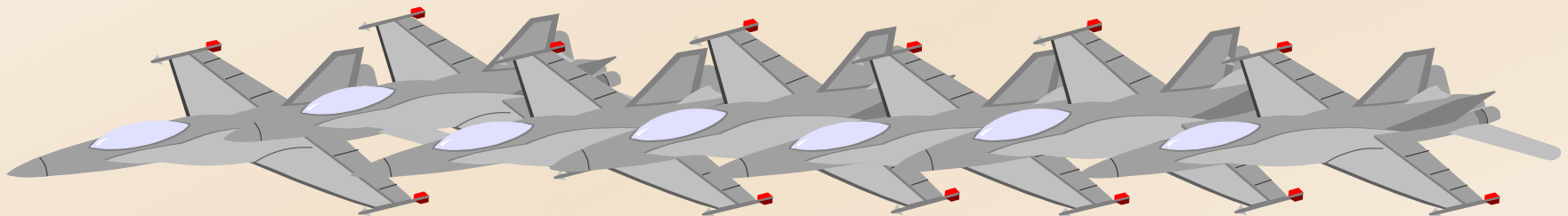
Below Threshold Reprogramming

Appropriation	Max Into	Max Out	Level of Control
Research, Development, Test & Evaluation (RDT&E)	Lesser of \$10 million Or 20%	Lesser of \$10 million Or 20%	Program Element
Procurement (PROC)	Lesser of \$20 million Or 20%	Lesser of \$20 million Or 20%	Line Item
Operations & Maintenance (O&M)	\$15 million	No Limit, Unless specified	Budget Activity
Military Personnel (MILPERS)	\$10 million	No Congressional Restrictions	Budget Activity
Military Construction (MILCON)	Lesser of \$2 million Or 25%	No Congressional Restrictions	Project



Multiyear Procurement (MYP)

- Exception to Full Funding Policy
- A Single Contract for a Specific Quantity of Usable End Items to be Delivered Over a Period of Time Greater Than One Year But Not More Than Five Years
- After initial MYP Approval by Congress, the Service Requests – and Congress Appropriates – Required Budget on a “Year by Year” Basis to Obligate Against the Contract



Source: DoD 7000.14-R, Vol 2A, Chap 1, Section 010203



Defense Appropriations

"Colors of Money"

Military Personnel (MILPERS)

Active & Reserve Forces

Operation & Maintenance (O&M)

Active & Reserve Forces
(civilian Salaries, supplies,
spares, fuels, travel, etc...)

Environmental Restoration
Former Soviet Union Threat
Reduction

Overseas Humanitarian,
Disaster, & Civic Aid

Procurement

Aircraft
Missiles
Weapons
Weapons & Tracked Combat
Vehicles

Ammunition
Other Procurement
Shipbuilding & Conversion
Marine Corps
Defense wide procurement
National Guard & Reserves

Research, Development, Test & Evaluation (RDT&E)

Basic Research
Applied Research
Advanced Technology
Development
Advanced Component
Development
& Prototypes
System Development &
Demonstration
RDT&E Management Support
Operational Systems
Development

Military Construction (MILCON)

Facilities
Family Housing
Base Realignment & Closure
(BRAC)

Other

Defense Health Program
Chemical Agents & Munitions
Destruction

MILPERS

O&M

PROC

RDT&E

MILCON